

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Notice of Price Adjustment

Docket No. R2012-6

PUBLIC REPRESENTATIVE COMMENTS

(March 12, 2012)

I. INTRODUCTION AND BACKGROUND

On February 21, 2012, the Postal Service filed a notice to temporarily reduce prices for several market dominant products within First-Class Mail and Standard Mail.¹ The adjustment (2012 Promotion) will provide commercial mailers an upfront two percent discount on the prices for First-Class Mail and Standard Mail letters, flats, and cards (presort and automation) that include qualifying mobile barcode or similar print technology inside or on the mailpieces. The mobile barcode must direct the recipients of the mailpieces to a “mobile-optimized website that facilitates the purchase of a product or service, or to a personalized mobile website that is tailored to the recipient.” Notice at 1. If approved, the 2012 Promotion will take effect on July 1, 2012 and expire on August 31, 2012. *Id.*

This is the second mobile barcode discount promotion. The Postal Service asserts that the first promotion (2011 Promotion) was successful since customer participation greatly exceeded the Postal Service’s expectations. Notice at 3. The

¹ United States Postal Service Notice of Market-Dominant Price Adjustment, February 21, 2012 (Notice).

primary goal of the first mobile barcode promotion was to generate awareness of how mobile technology could be integrated into mail campaigns. *Id.*

With its 2012 Promotion, the Postal Service hopes to encourage mailers to integrate more advanced uses of mobile technologies into their direct mail campaigns. Notice at 4. The Postal Service explains that while many 2011 Promotion participants followed the best practice of directing the recipient to a mobile optimized web page, some did not.² The Postal Service further notes that the effectiveness of an integrated direct mail campaign cannot be maximized unless mailers adopt advanced uses and best practices for mobile barcodes. *Id.*

II. COMMENTS

The Public Representative commends the Postal Service for exercising its pricing flexibility under the Postal Accountability and Enhancement Act of 2006 to find innovated ways to increase the value of mail. The Public Representative has one major reservation with the Postal Service's 2012 Promotion. The Public Representative recommends that the Commission carefully assess the Postal Service's decision to include Standard Mail Flats in its 2012 Promotion.

As Table II-1 shows, over the past four fiscal years, the Standard Mail Flats product incurred a net loss of \$2.1 billion. In addition, the product continues to lose more money, per piece, each fiscal year. The Postal Service estimates that during the 2012 promotion, Standard Mail Flats could lose an additional \$1.3 million to \$3.3 million. Response to CHIR No. 1, question 1, Attachment A. Given this information, the Postal Service should not include Standard Mail Flats in its 2012 Promotion because these pieces already do not generate sufficient revenue to cover their attributable costs.

² *Id.* In response to CHIR No. 1, question 5, the Postal Service reports that approximately 68 percent of 2011 Promotion participants used mobile barcodes that directed the recipient to a mobile optimized webpage.

Table II-1
Standard Mail Flats Financial Performance
FY 2008 – FY 2011

	Volume	Contribution	Unit
	(000)	(000)	Contribution
Fiscal Year			(cents)
FY 2008	10,010,857	(217,834)	(2.18)
FY 2009	7,814,466	(615,572)	(7.88)
FY 2010	7,067,654	(576,986)	(8.16)
FY 2011	6,783,186	(651,784)	(9.61)
Total	31,676,164	(2,062,176)	(6.51)
Sources: FY 2008 - FY 2010: PRC Annual Compliance Determinations; and			
FY 2011: Postal Service's FY 2011 CRA			

The Postal Service asserts that the exclusion of Standard Mail Flats from the promotion would be “counterproductive and would harm the long-range goals of the initiative.” See Response to CHIR No. 1, question 2. The Postal Service further asserts that although Carrier Route and Standard Mail Flats are separate products, customers view the two products as merely being different mail preparations for the same mailpieces. *Id.* The Postal Service concludes that it would be difficult for customers to remove Standard Mail Flats from mailing campaigns that also include Carrier Route Flats because customers would be unsure of which portions of their mailing qualifies for the mobile barcode discount. *Id.* The Postal Service believes that this uncertainty may lead customers to not participate in the promotion. *Id.*

The Postal Service has not effectively demonstrated how excluding Standard Mail Flats from the 2012 Promotion would hinder the Postal Service’s ability to achieve the promotion’s long-range goals. The Postal Service asserts that removing Standard Mail Flats from the promotion would unnecessarily complicate the participation of a significant portion of mailers. However, the “complication” the Postal Service articulates is a direct result of the design of the 2012 Promotion. The Postal Service could have designed the promotion so that customers can include both Flats and Carrier Route

Flats pieces on the same postage statement, but only receive discounts on the participating Carrier Route pieces.³ The Postal Service does not provide a rationale for why it could not design such a promotion. In addition, as the Postal Service concedes, the design of the postage statement does not preclude mailers from entering Standard Mail Flats and Carrier Route Flats on the same postage statement.⁴

The Postal Service could still raise awareness about the benefits of mobile barcodes without including Standard Mail Flats in its 2012 Promotion. If Standard Mail Flats were excluded from the promotional discounts, mailers who typically include Carrier Route and Standard Mail Flat pieces in the same mailing campaign would still become knowledgeable about the benefits of integrating more advanced mobile commerce, even if the mailers only received discounts on their Carrier Route pieces.

In addition, some mailers who participated in the 2011 Promotion may have continued to use mobile barcodes on their Standard Mail Flat pieces long after the 2011 Promotion expired.⁵ Thus, the Public Representative does not believe that if the Standard Mail Flats are excluded from the 2012 Promotion, the costs associated with including mobile barcodes on Standard Mail Flats will deter many mailers from participating in the promotion.

III. CONCLUSION

With its 2012 Promotion, the Postal Service wants to encourage mailers to use more advanced mobile commerce and personalized techniques in their direct mail

³ See Notice at 3, which states that “[c]omingle, co-mailed, and combined mailings are allowed, but a separate postage statement is required for mailpieces claiming the promotion discount.” It seems that this requirement could be modified for Standard Mail products.

⁴ See Response to CHIR No. 1, question 2. Previously, in Docket No. R2011-5, the Postal Service asserted that if it did not allow Standard Mail Flats to Participate in the program, it would be effectively eliminating Carrier Route Flats from the promotion since both are entered on a single postage statement from the customer. Docket No. R2011-5, Response to Chairman’s Information Request No. 1, question 1, April 29, 2011.

⁵ See Notice at 3, which states that some customers used their savings from the 2011 Promotion to invest in the infrastructure needed to continue integrating mobile technology with direct mail.

campaigns. When assessing the effectiveness of this promotion, the Postal Service should investigate whether mailers would continue to use mobile barcodes even if they do not receive a discount.

In addition, Postal Service has not shown that it is necessary to offer discounts to Standard Mail Flats in order to achieve the mobile barcode initiative's long-term goals. The Commission should approve the 2012 Promotion, in part. The Commission should modify the Postal Service's promotion. Similar to last year where the Commission modified the 2011 Promotion to include Standard Mail nonprofit pieces, the Commission should modify the 2012 Promotion to exclude Standard Mail Flat pieces.

Respectfully Submitted,

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